



United States
Department of
Agriculture

Food and
Consumer
Service

Mountain Plains
Region

1244 Speer Blvd.
Denver, CO
80204-3581

MAR - 1 1999

Reply to
Attn. of: CACFP-569

Subject: Child and Adult Care Food Program (CACFP) One and
One-Half Percent Audit Funds

To: STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas,
(Child Nutrition Programs) Missouri DH, Montana DPHSS,
Nebraska ED, North Dakota,
South Dakota, Utah and
Wyoming ED

As you are aware, the Child Nutrition Reauthorization Act of 1998, Public Law 105-336, amended section 17(i) of the National School Lunch Act by reducing the amount of funding provided to State Agencies (SAs) for the purpose of carrying out audits and other oversight activities from two percent of the CACFP funds expended by the State in the second preceding fiscal year (FY) to one and one-half percent.

During recent meetings in Alexandria, Virginia the issue of use of one and one-half percent audit funds was raised. Headquarters received inquiries regarding the use of audit funds for training or technical assistance in problem areas which are identified during audit or review activities. These inquiries led headquarters to evaluate other possible uses of one and one-half percent audit funds.

Our CACFP-403, "CACFP Two Percent Audit Funds", dated July 22, 1994 provided clarification on Section 226.8 Audits (b) and (c). It advised that SAs could use the two percent audit funds for any allowable costs associated with conducting, handling, and processing CACFP related audits and CACFP administrative reviews.

In light of recent concerns related to integrity within the CACFP, and to provide maximum flexibility to SAs, this memorandum allows the use of one and one-half percent audit funds by SAs to provide training or technical assistance to CACFP organizations and State staff in Program areas where problems are identified during audit or review activities. These training and technical

assistance efforts may be directed to areas identified during administrative reviews and organization wide or program specific audits. Further, the cost of meetings, training, or technical assistance needs identified as national trends through initiatives such as OIG audits or by the Regional Office and Child Nutrition Division are allowable. Costs associated with these training or technical assistance activities include SA costs for salaries, travel, and the development and distribution of training materials. In addition, we determined that the audit funds may be used to provide training or fund attendance at training on the identification of indicators which can be used to assess compliance with Program regulations and standards. These indicators could be trends or patterns based on statistical or anecdotal information gained through prior audit or review results.

As with State Administrative Expense Funds, allowable costs must be limited to those incurred by the SA and can not be extended to cover expenses incurred by institutions.

Please contact our office if you have any questions.



for
ANN C. DEGROAT
Regional Director
Child Nutrition Programs